Headquarters U.S. Air Force

Integrity - Service - Excellence

Air Force Housing Privatization 101

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HQ USAF/ILEH
28 Jan 04

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Overview

- Goal
- How do we privatize?
- How have we done?
- Where are we going?
- Changes

MILITARY BRATS
BY STEVE DICKENSON
DAD, HAVE YOU AND MOM EVER THOUGHT ABOUT BUYING INTO A TIME SHARE?
WE DID. ABOUT 20 YEARS AGO
...IT'S CALLED BASE HOUSING.
AIR FORCE TIMES
DICKENSON
E-Mail: AirBrats@AOL.Com

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Air Force Sources of Housing

- Local community housing first
- Privatization
- Military Construction (MILCON)
- Operations and Maintenance (O&M) Funding to maintain existing housing

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Air Force Housing Privatization Goal

Accelerate our ability to eliminate inadequate housing units and provide military families access to safe, quality, affordable, well-maintained housing in a community where they will CHOOSE to live

Elmendorf AFB, AK
828 Units Status: Complete

Robins AFB, GA
670 Units Status : Complete

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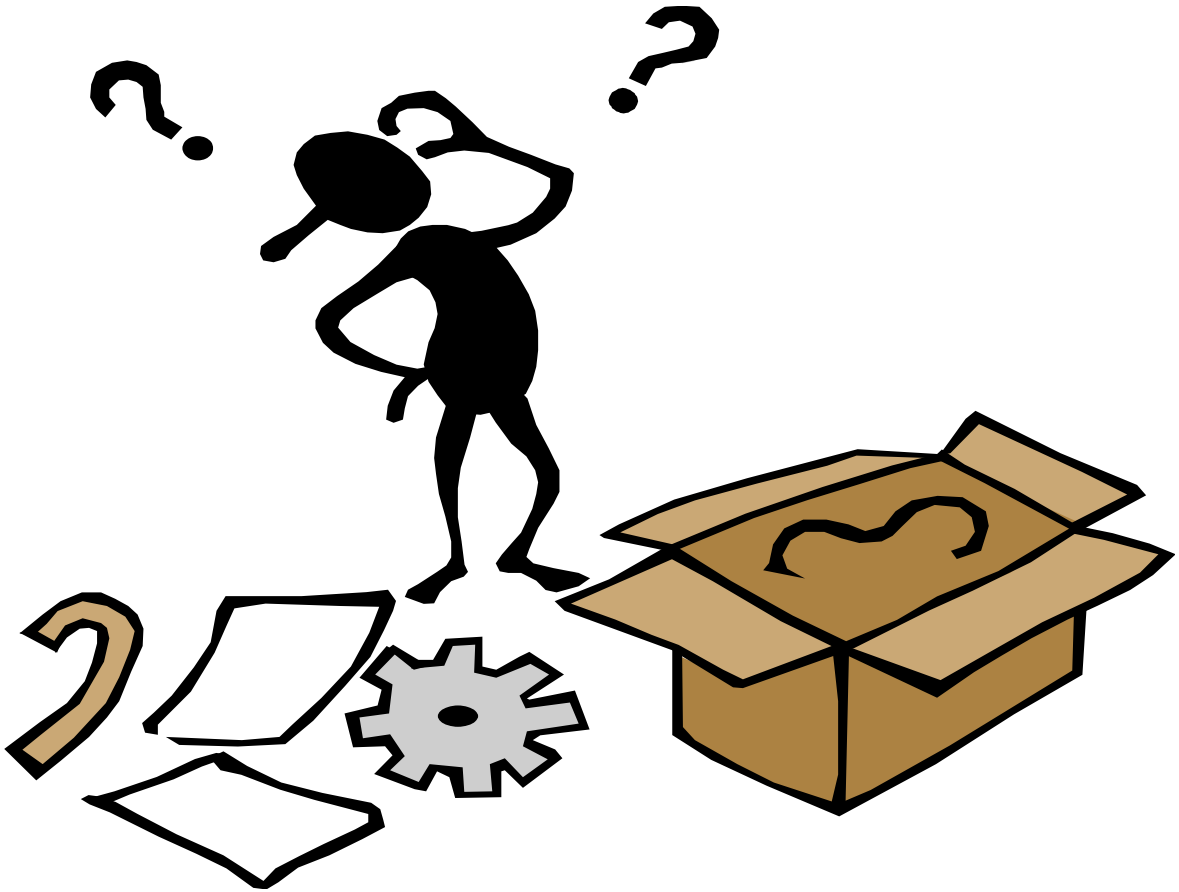
How do we privatize?



Congressional Oversight Housing Authorities

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Our Toolbox: 1996 National Defense Authorization Act, as amended, provided authorities that allow for privatization to meet our housing needs

- Direct Loans
- Loan Guarantees
- Leasing of Housing to be Constructed
- Investment in Non-Governmental Entities
- Interim Leases
- Waiver of Space Limits
- Collateral Incentive Agreements
- Rental Guarantees
- Subsidized Rents
- Supporting Facilities
- Disposal Process Waiver
- Pay Rent By Allotment

Use of authorities was extended until 31 Dec 2012

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The Standard Approach

- Non-FAR Real Estate Transaction
- 50 Year Ground Lease of Existing Housing Area
- Deed or Bill of Sale of the Existing Improvements

Patrick AFB, FL

552 Units Status: Started 1 Oct 03

- Gov't May Provide Loan and/or Limited Loan Guarantee
- Basic Allowance for Housing (BAH) Paid to Member
- Member's Rent =BAH minus Average Utility Costs
- Member Pays Rent by Allotment
- Member Pays Utilities to Developer or Other Provider
- Member not required to live there
- If not 95% occupied by military, then others permitted to rent

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Team Considerations

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Requirements To Privatize

Privatization projects criter

- **3:1 Leverage**
- **Max of 80% Gov Participatio**
- **Government Loan < Private**
- **Privatization lifecycle < MIL**

Wright-Patterson AFB, OH
1536 Units Status: In Progress

Lackland AFB, Tx
420 Units Status: Complete

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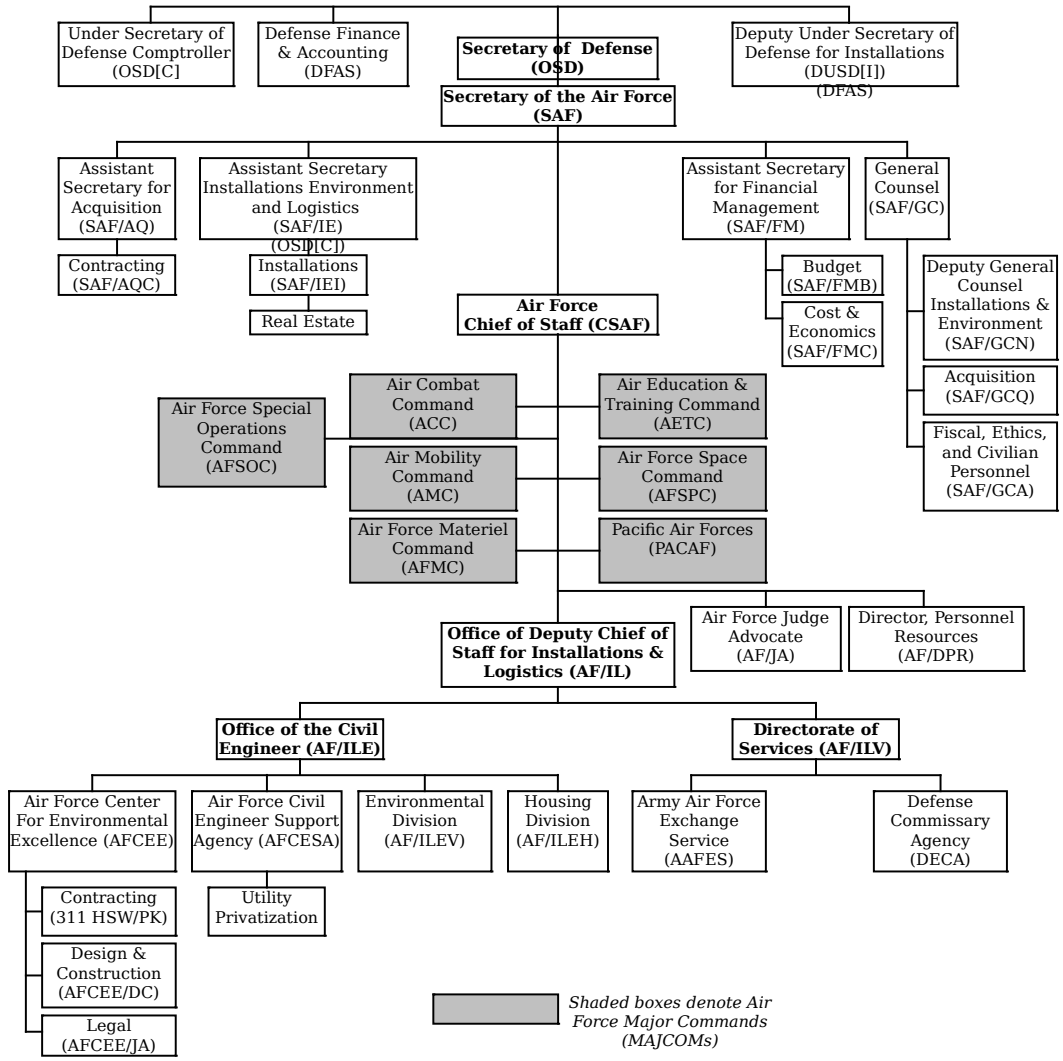
Life-Cycle Costs

Privatization Costs must be less than or equal to the cost of Government Ownership

- **Privatization Cost**
  - **Net present value of**
    - **OMB "scored" costs for use of authorities**
    - **BAH payments due to privatization**
    - **Drayage (Moving costs)**
    - **School Impact Aid**
    - **Manpower/Management**
- **Government ownership and management**
  - **Net present value of**
    - **MILCON**
    - **Maintenance & repair**
    - **Utilities/Services**
    - **Leasing**
    - **Drayage (Moving costs)**
    - **School Impact Aid**
    - **Manpower/Management**

The Players


Under Secretary of Defense Comptroller (OSD[C])
Defense Finance & Accounting (DFAS)
Secretary of Defense (OSD)
Secretary of the Air Force (SAF)
Deputy Under Secretary of Defense for Installations (DUSD[I]) (DFAS)
Assistant Secretary for Acquisition (SAF/AQ)
Contracting (SAF/AQC)
Assistant Secretary Installations Environment and Logistics (SAF/IE) (OSD[ICJ])
Installations (SAF/IEI)
Real Estate
Assistant Secretary for Financial Management (SAF/FM)
Budget (SAF/FMB)
Cost & Economics (SAF/FMC)
General Counsel (SAF/GC)
Deputy General Counsel Installations & Environment (SAF/GCN)
Acquisition (SAF/GCQ)
Fiscal, Ethics, and Civilian Personnel (SAF/GCA)
Air Force Chief of Staff (CSAF)
Air Force Special Operations Command (AFSOC)
Air Combat Command (ACC)
Air Education & Training Command (AETC)
Air Mobility Command (AMC)
Air Force Space Command (AFSPC)
Air Force Materiel Command (AFMC)
Pacific Air Forces (PACAF)
Office of Deputy Chief of Staff for Installations & Logistics (AF/IL)
Air Force Judge Advocate (AF/JA)
Director, Personnel Resources (AF/DPR)
Office of the Civil Engineer (AF/ILE)
Directorate of Services (AF/ILV)
Air Force Center For Environmental Excellence (AFCEE)
Air Force Civil Engineer Support Agency (AFCESA)
Environmental Division (AF/ILEV)
Housing Division (AF/ILEH)
Army Air Force Exchange Service (AAFES)
Defense Commissary Agency (DECA)
Contracting (311 HSW/PK)
Utility Privatization
Design & Construction (AFCEE/DC)
Legal (AFCEE/JA)
Shaded boxes denote Air Force Major Commands (MAJCOMs)

Don't Worry, it's not as bad as it looks.

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AF Evaluation Process

- **Two-step Solicitation and Evaluation**
  - **Integrated, “Best Value” assessment against RFP factors**
- **Step 1 offerors evaluated on qualifications, past performance and initial concept proposal**
  - **No more than 5 Offerors are “down-selected” to move to Step 2**
- **Step 2 Source Selection Team evaluates offerors detailed proposal**
- **The selection authority chooses offeror providing “Best Value”**
  - **SAF/IEI concurs selection**
- **RFP identifies minimums & AF’s desired features**

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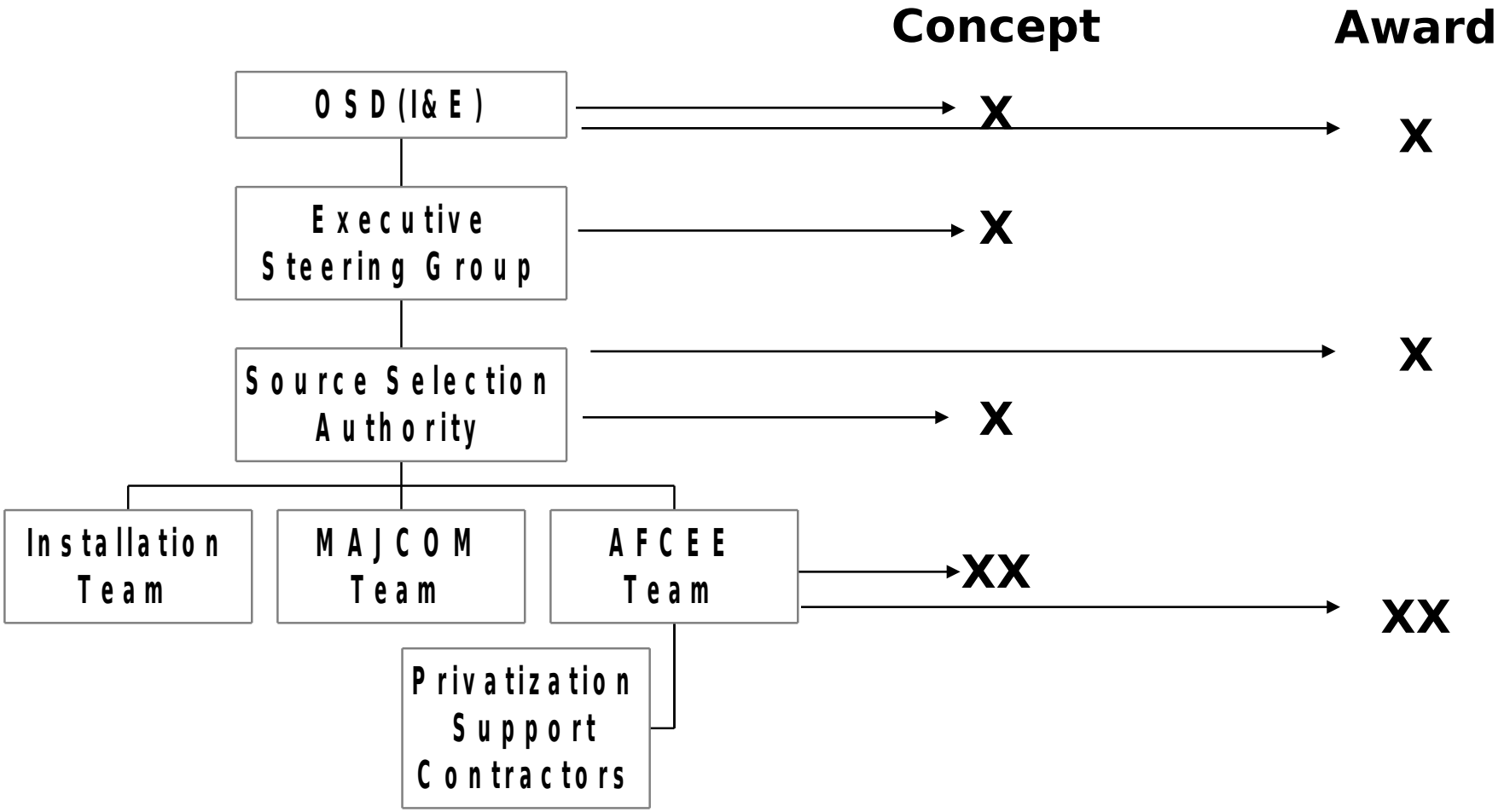
AF Approval Points



X: Approval Point

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What protects the project and the members: THE LOCKBOX

- **The Lockbox is an account established by the developer**
  - **Receives all project income and other funding**
  - **Pays out all expenditures in accordance with an established “waterfall” (priority list)**
  - **Conditions and terms are defined within the project within a legal document known as “The Lockbox Agreement”**
- **Administered by a neutral third party acceptable to both the developer and the Air Force – “The Lockbox Agent”**

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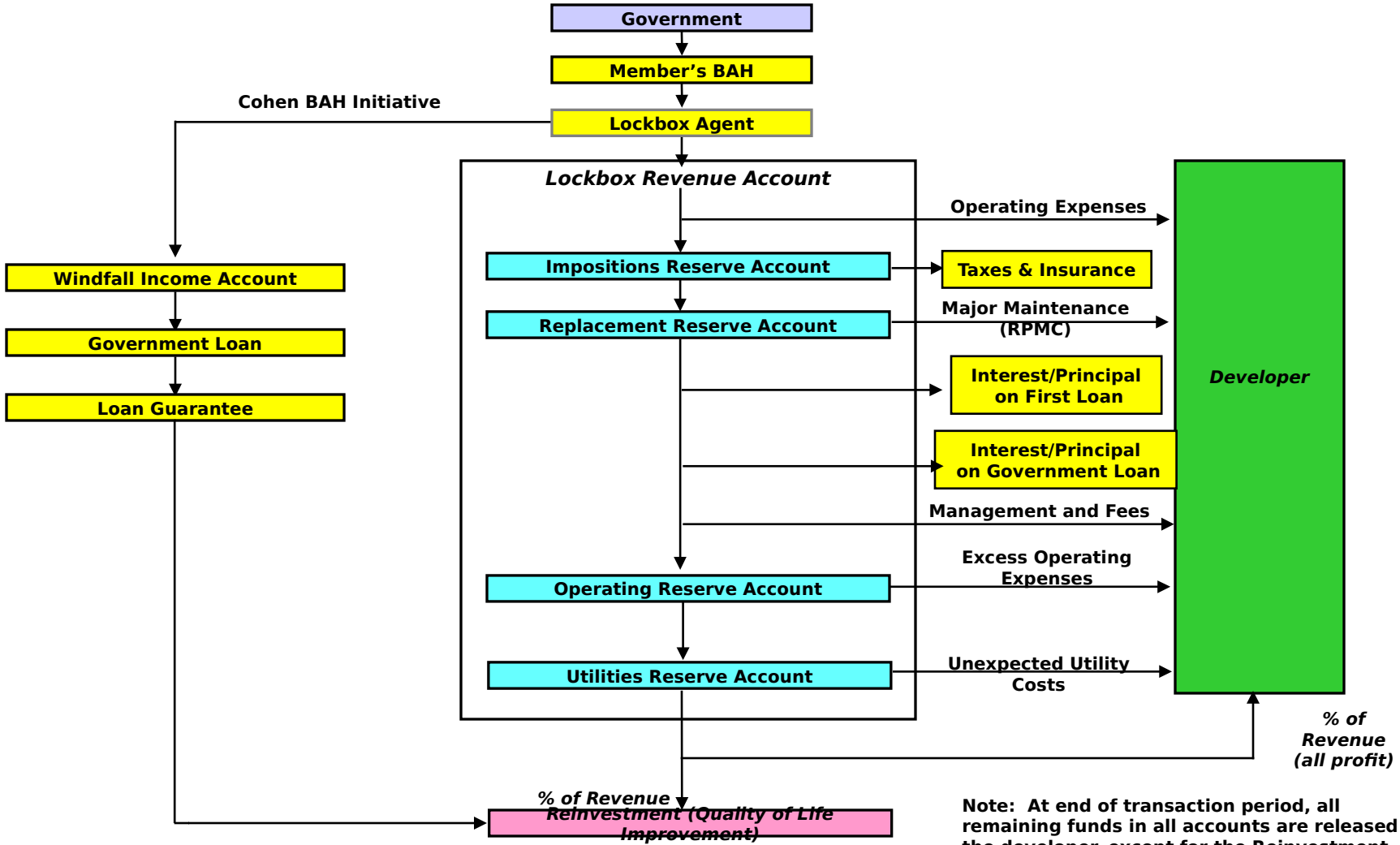
Lockbox Agreement (Waterfall Distribution)



Note: At end of transaction period, all remaining funds in all accounts are released to the developer, except for the Reinvestment Account, which will be transferred as directed by the Secretary.

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Portfolio Management AFCEE Role

- **SAF/FM Designation of AFCEE as AF Housing Privatization Portfolio Manager (1 Feb 2001)**
  - **Authority to fully perform all the roles and responsibilities necessary to provide long-term oversight**
  - **Enforce terms of transactional documents**
    - **Ground Lease**
    - **Use Agreement**
    - **Operating Agreement**
    - **Lockbox Agreement**
    - **Quitclaim Deed/Bill of Sale**
    - **Direct Loan Note/Mortgage**
    - **Loan Guarantee Note/Mortgage**
    - **Intercreditor Agreement**
  - **Take actions to enhance the best interests of AF**

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Special Interest Items

- Federal loans or subsidies
- Base closure or draw-down guarantees
- Issuance of taxable or tax-exempt bonds to finance
- All new housing to eliminate base deficits
- DoD retains use of property
- Housing with military priority, no out-of-pocket expenses
- Long term profits flow to developer and DoD
- Use existing housing to create revenue stream during development of new units
- Use MILCON to buy down deal so BAH is sufficient to pay rents (subsidized rent)

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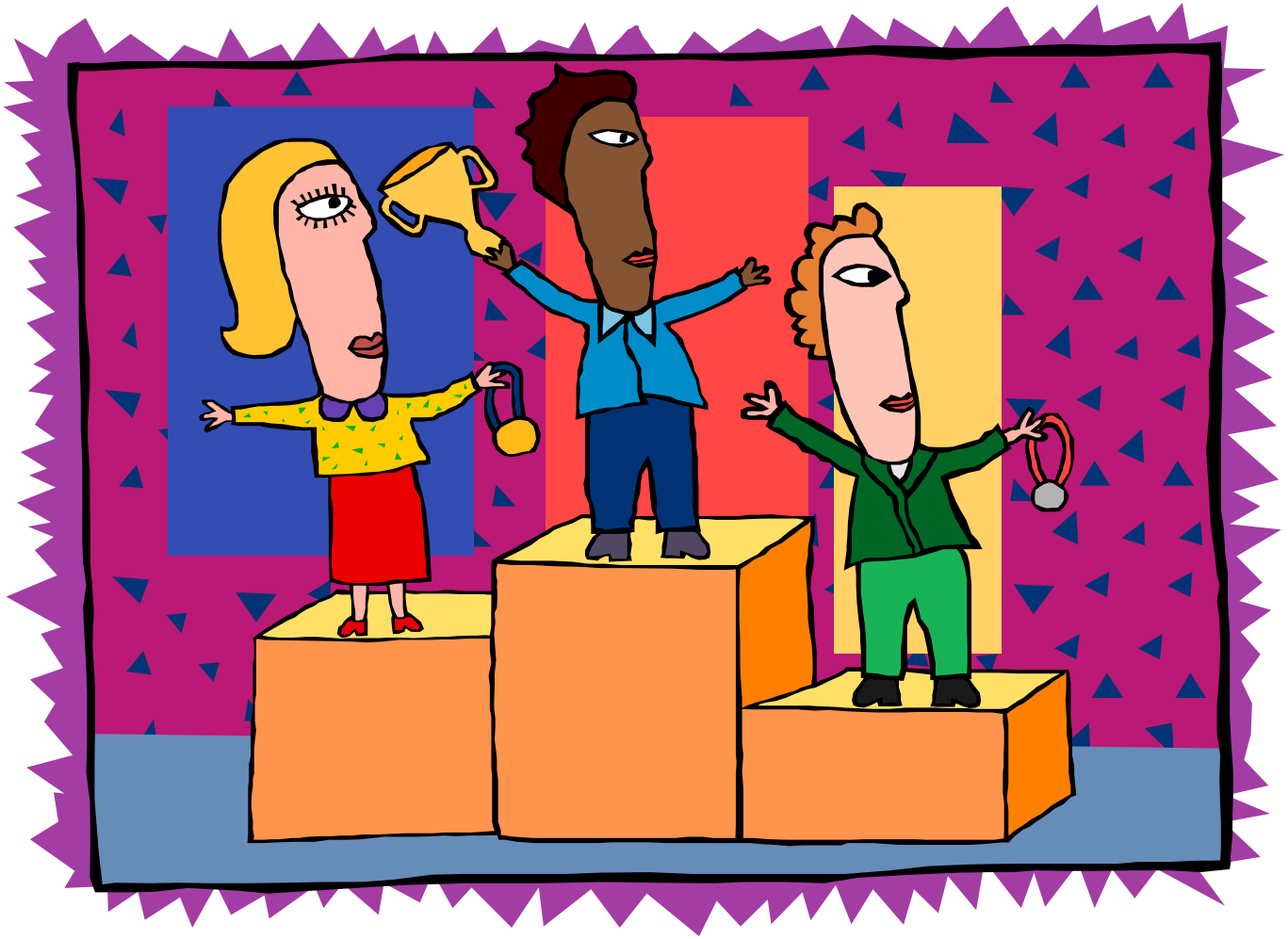
How Have We Done?



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Success of Housing Privatization

	Seven Awarded as of Oct 03	Nine More Planned by Jun 04
Total # Units Privatized	**5,486**	**10,633**
Total # Units Replaced	**3,027**	**4,847**
Total # Units Renovated	**517**	**5,667**
Total Development Costs ($M)	**$583.5**	**$1,459.5**
AF Contribution (Scoring Costs)	**$93.4**	**$77.29**
Leverage	**6.25:1**	**23.85:1**

Bottom Line: Housing Privatization reduces the development time and save the AF money!

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Where are we going?

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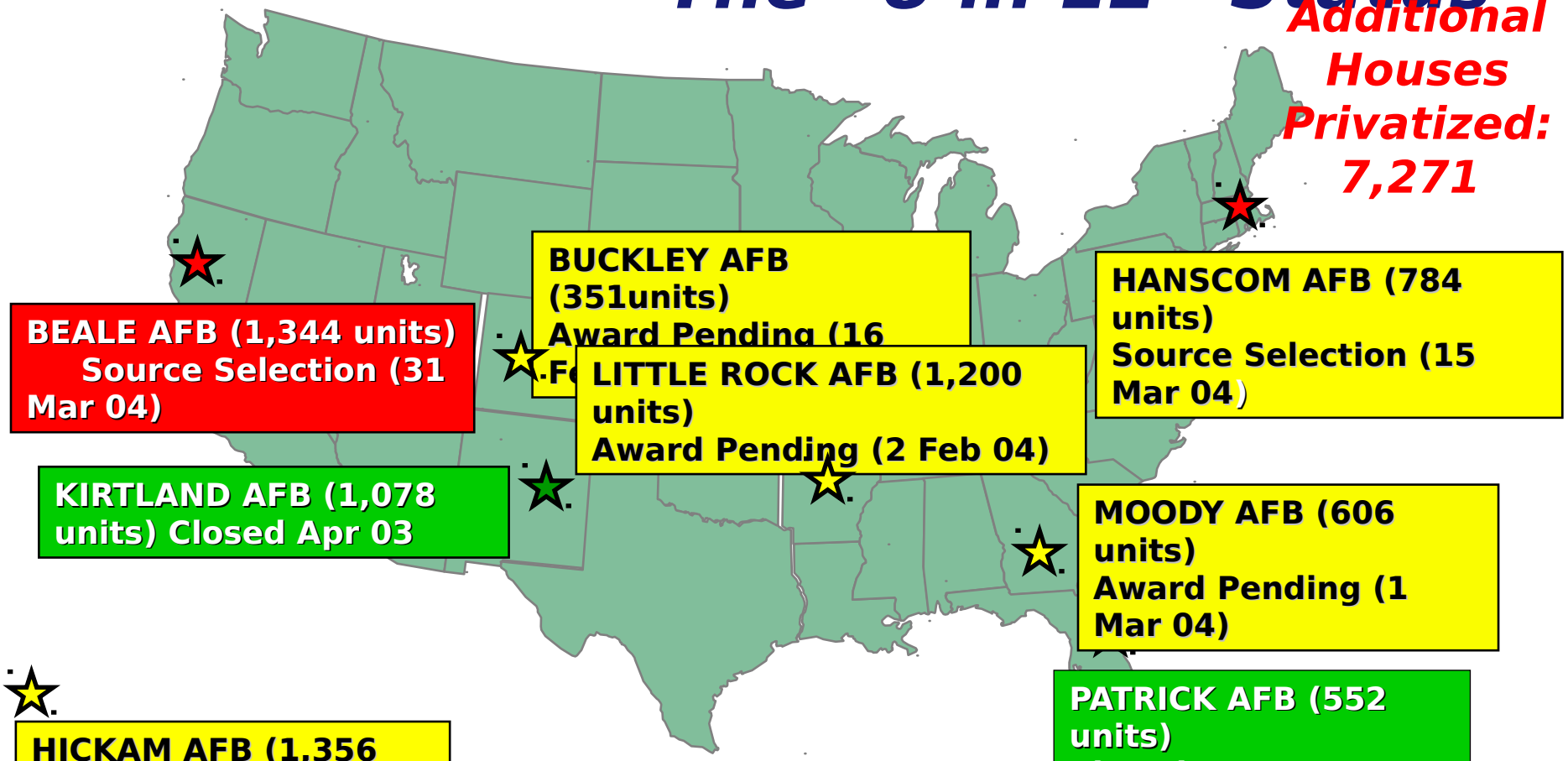
Housing Privatization Projects: The "8 in 12" Status


Additional Houses Privatized: 7,271
BUCKLEY AFB (351units) Award Pending (16
BEALE AFB (1,344 units) Source Selection (31 Mar 04)
LITTLE ROCK AFB (1,200 units) Award Pending (2 Feb 04)
HANSCOM AFB (784 units) Source Selection (15 Mar 04)
KIRTLAND AFB (1,078 units) Closed Apr 03
MOODY AFB (606 units) Award Pending (1 Mar 04)
PATRICK AFB (552 units) Closed Oct 03
HICKAM AFB (1,356 units) Award Pending (1 Mar 04)

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Starting in March 2004: FY04 and 05 Identified Projects

	BASE
1.	Hill AFB, UT
2.	Cannon AFB, NM
3.	Shaw AFB, SC
4.	Offutt AFB. NE
5.	Elmendorf AFB II, AK
6.	Langley AFB, VA
7.	Nellis AFB, NV
8.	Eglin/Hurlburt AFB, FL
9.	Holloman AFB, NM
10.	Dover AFB, DE
11.	Wright-Patterson AFB II, OH
12.	McGuire AFB/Fort Dix, NJ
13.	Altus AFB, OK
14.	Lackland AFB II, TX

	BASE
15.	Sheppard AFB, TX
16.	Luke AFB, AZ
17.	Tinker AFB, OK
18.	Barksdale AFB, LA
19.	Maxwell AFB, AL
20.	FE Warren AFB, WY
21.	McChord AFB, WA
22.	Columbus AFB, MS
23.	Keesler AFB, MS
24.	Scott AFB, IL
25.	Fairchild AFB, WA
26.	Travis AFB, CA
27.	Tyndall AFB, FL
28.	Hickam AFB II, HI

Housing Privatization is a key component of the AF's effort to eliminate inadequate housing

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Contact Information

Questions?

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